

Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 EA-07 ISO-00 CAB-02 CIAE-00 COME-00
DODE-00 DOTE-00 INR-07 NSAE-00 FAA-00 PM-04 H-01
L-03 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06
OMB-01 /076 W
-----041829Z 054308 /44

R 041655Z APR 77
FM AMEMBASSY BONN
TO SECSTATE WASHDC 7137
INFO AMEMBASSY LONDON
AMEMBASSY PARIS
AMCONSUL MUNICH
AMCONSUL HAMBURG
AMCONSUL BREMEN
AMEMBASSY THE HAGUE
AMEMBASSY TOKYO

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E.O. 11652: N/A
TAGS: EAIR, GW, FR, UK
SUBJECT: CIVAIR: EUROPEAN-US AEROSPACE COOPERATION

REF: A. 76 BONN 20366, B. PARIS 8477,
C. LONDON 5307, D. 76 BONN 19669

SUMMARY: PERCEIVED FAILURE OF MERCURE ASMR PROJECT
AND ITS EXPECTED IMMINENT ABANDONMENT HAS REAWAKENED
GERMAN INDUSTRY AND GOVERNMENT INDUSTRY IN CO-OPERATION
WITH BOEING, BRITISH AND POSSIBLY FRENCH ON BOEING
7N7. GOVERNMENT NOW SEEMS TO FAVOR PROJECT SO LONG
AS IT DOES NOT THREATEN AIRBUS B-10 PROGRAM. FAILURE
OF WESTERN AIRLINES TO ORDER AIRBUS A-300 WAS A
SEVERE BLOW TO GERMAN AEROSPACE INDUSTRY WHICH IS
CURRENTLY UNDER-UTILIZED. THERE IS WIDE-SPREAD
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POSITION THAT WESTERN TURN-DOWN WAS POLITICALLY
RATHER THAN TECHNICALLY MOTIVATED. END SUMMARY.

1. EMBOFF RECENTLY ACCOMPANIED MUNICH CONSUL
GENERAL ON VISIT TO MESSERSCHMIDT,BOELKOW, BLOHM (MBB)
HEADQUARTERS IN MUNICH AND SEPARATELY VISITED MBB
CIVIL TRANSPORT DIVISION IN HAMBURG AND MADE CALLS ON

SHOMERUS AND ENGELS IN MINISTRY OF ECONOMIC AFFAIRS.
CONVERSATIONS ALL FOCUSED OR TOUCHED ON FUTURE CIVIL
AIRLINER PROJECTS AND ESPECIALLY ON US-EUROPEAN CO-
OPERATION IN SUCH PROJECTS.

2. SHOMERUS IN FEBRUARY TOLD EMBOFF THAT ALL PROBLEMS
WITH THE FRENCH OVER THE WAY THE LATTER HAD BROKEN
RANKS IN ANNOUNCING THE MERCURE 200 OR ASMR HAD BEEN
RESOLVED AND THAT MBB ALSO WAS FULLY RECONCILED TO
PROJECT. THIS EFFECTIVELY RULED OUT GERMAN PARTICI-
PATION IN THE BOEING 7N7. HOWEVER, MBB OFFICIAL
FOSTER-STEINBERG ON MARCH 9 TOLD CONSUL GENERAL
BETTS THAT ASMR WAS DEAD AND THAT MBB WAS AGAIN FREE
TO DISCUSS COOPERATION ON THE 7N7 WITH BOEING. IN
FACT A BOEING DELEGATION HEADED BY A VICE PRESIDENT
HAD VISITED MBB THE WEEK BEFORE FOR SUCH DISCUSSIONS.
MBB WAS VERY INTERESTED AND WAS WILLING TO ACCEPT
PARTICIPATION EVEN IF MANAGEMENT CONTROL WAS RETAINED
BY BOEING, A BOEING DEMAND THAT HAS BEEN RESISTED BY
BOTH FEDERAL GOVERNMENT AND MBB IN THE PAST. FOSTER-
STEINBERG SAID THAT MBB HAD COMPLETE FREEDOM FROM THE
FEDERAL GOVERNMENT TO NEGOTIATE WITH BOEING ON THE
7N7. MBB APPARENTLY IS THINKING IN TERMS OF UK
PARTICIPATION IN THE 7N7 AND CONSIDERS IT
POSSIBLE THAT THE FRENCH ONCE THEY FACE UP TO THE
FACT THAT THE ASMR IS A NON-STARTER WILL ALSO JOIN.

3. FOSTER-STEINBERG SAW LITTLE CHANCE OF ANY BOEING
PARTICIPATION IN THE AIRBUS B-10 BUT SAID MCDONNELL
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DOUGLAS WAS SHOWING SOME INTEREST. ARRANGEMENT
PROPOSED BY LATTER WHICH WOULD HAVE FINAL ASSEMBLY
ON THE A300. THERE WAS ALSO A HINT THAT THE DOUGLAS
PART OF MCDONNELL DOUGLAS HAD NOT LIKED THE ASMR AND
HAD NOT REALLY DONE THEIR BEST TO PROMOTE IT TO
POTENTIAL CUSTOMERS. THIS, IF TRUE, COULD MAKE THE
FRENCH RELUCTANT TO HAVE MCDONNELL DOUGLAS IN ON THE
B-10.

4. MBB IS A PARTNER IN THE AIRBUS AND WAS DISSAPOINTED
AT THE RECENT DECISION OF WESTERN AIRLINES NOT TO
PURCHASE THE AIRBUS. BOTH IN MUNICH AND HAMBURG, MBB
OFFICIALS BELIEVED THAT THE MANAGEMENT OF WESTERN HAD
CHOSEN THE AIRBUS ON TECHNICAL CRITERIA AND THEN BEEN
OVER-RULED BY THE BOARD OF DIRECTORS FOR "POLITICAL
REASONS." DIRECTOR OF ENGINEERING FLOSDORFF AT THE
HAMBURG DIVISION WHERE MBB'S SHARE OF THE AIRBUS IS
BUILT, WAS ESPECIALLY UNHAPPY ABOUT THE WESTERN DE-
CISION. HE SAID THAT THE AIRBUS IS AN EXCELLENT

AIRCRAFT THAT WOULD BE IDEAL FOR MANY ROUTES IN THE US. A SIGNIFICANT SALE IN THE US WOULD GIVE A BADLY NEEDED BOOST TO AIRBUS PRESTIGE AND HELP SALES IN OTHER PLACES. AT PRESENT THERE ARE NOT ENOUGH

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ORDERS TO KEEP THE WORK FORCE BUSY AND THIS IS BADLY HURTING MBB. WORKERS HAVE TO BE RETAINED EVEN IF THEY HAVE NOTHING TO DO BECAUSE, UNLIKE IN THE US, ONCE A WORKER IS LAID OFF HE IS LOST TO THE COMPANY AND NEW WORKERS WOULD HAVE TO BE RECRUITED AND TRAINED IF PRODUCTION SHOULD INCREASE IN THE FUTURE. FOR THIS REASON, FLOSDORFF IS ANXIOUS TO HAVE MBB PARTICIPATION IN THE 7N7.

5. ON MARCH 29, SHOMERUS AND ENGELS CONFIRMED THAT, IN THE FRG VIEW, THE ASMR IS FINISHED AND THAT MBB HAD A GREEN LIGHT FROM THE GOVERNMENT TO NEGOTIATE WITH BOEING AND THE BRITISH ON THE 7N7. THE GOVERN-

MENT WILL ACCEPT BOEING MANAGEMENT CONTROL OR ABOUT
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ANY OTHER REASONABLE ARRANGEMENT THAT THE INDUSTRY
WORKS OUT.

6. THE MAJOR CONDITION TO GOVERNMENT SUPPORT IS THAT
THE AIRBUS PROGRAM HAS FIRST PRIORITY AND OTHER
PROJECTS WILL NOT BE ALLOWED TO INTERFERE UNDULY
WITH IT. THIS COULD BE AN EXREMELY DIFFICULT PROVISO,
BECAUSE FRENCH COOPERATION IS ESSENTIAL TO THE AIR-
BUS B-10 OR ANY OTHER FUTURE DERIVATIVES AND STRONG
FRENCH OBJECTIONS TO THE 7N7 WOULD MAKE IT DIFFICULT
FOR THE FRG TO GO AHEAD WITH IT. ENGELS POINTED OUT
THAT THE FRENCH MIGHT VERY WELL COME UP WITH ANOTHER
MERCURE LIKE PROPOSAL. (WE DO NOT KNOW WHETHER ENGELS
HAD IN MIND THE NEW ASMR CONCEPT REPORTED REF B.)

7. SHOMERUS FEELS THAT THE AIRBUS CONSORTIUM IS
WORKING MORE SMOOTHLY THAN EVER BEFORE AND THAT IN
THE AIRBUS A-300 THEY HAVE AN OUTSTANDING AIRCRAFT
WHICH WILL SERVE AS AN EXCELLENT BASIS FOR A DERIVATIVE
(THE B-10) TO COMPETE IN THE HUGE FUTURE MARKET FOR A
FOLLOW-ON TO THE BOEING 727. THE CONSORTIUM IS
WORKING ON THE DESIGN OF THE B-10 AND EXPECTS TO BE
IN A POSITION TO SEEK AIRLINE ORDERS IN THE MIDDLE
OF THIS YEAR. THIS REPRESENTS A CONSIDERABLE INVEST-
MENT, BUT AIRBUS INDUSTRIE WILL NOT BEGIN ACTUAL
MANUFACTURE OF A PROTOTYPE UNTIL SUFFICIENT "LAUNCH
ORDERS" HAVE BEEN RECEIVED. HOW MANY ORDERS IS SUF-
FICIENT DEPENDS ON SUCH FACTORS AS WHO MAKES THE
ORDERS. A SIGNIFICANT ORDER FROM A MAJOR US AIRLINE
WOULD CARRY MUCH MORE WEIGHT THAN THE SAME SIZE ORDER
FROM A EUROPEAN GOVERNMENT OWNED AIRLINE SUCH AS
AIR FRANCE OR BRITISH AIRWAYS OR AN AIRLINE IN A
SMALL THIRD WORLD COUNTRY. SHOMERUS WAS AWARE OF MC-
DONNELL-DOUGLAS INTEREST IN THE B-10 BUT APPARENTLY
DID NOT EXPECT ANY DEVELOPMENTS IN THE NEAR FUTURE.

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8. THE GOVERNMENT, NEVERTHELESS, APPARENTLY FAVORS
THE 7N7 PROJECT IF ACCEPTABLE TERMS CAN BE ARRANGED.
SHOMERUS SAID THAT BOEING PRESIDENT BOULLION HAD A
FEW DAYS PREVIOUSLY CALLED ON FRG AEROSPACE INDUSTRY
COORDINATOR MARTIN GRUENER TO TALK ABOUT THE 7N7.

SHOMERUS SAID BOEING HAD DEVELOPED A BETTER APPRECIATION OF THE NEEDS AND PREFERENCES OF POTENTIAL EUROPEAN PARTNERS. HE (SHOMERUS) SEEMS GUARDEDLY OPTIMISTIC THAT A COOPERATIVE PROJECT WILL EMERGE.

9. NOW THAT THE NATIONALIZATION OF THE UK AEROSPACE INDUSTRY HAS BEEN RESOLVED, ANOTHER OBSTACLE TO THE 7N7 HAS BEEN REMOVED. SHOMERUS SAID THE UK WANTS TO

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START A NEW PROJECT AS SOON AS POSSIBLE AFTER THE GOVERNMENT TAKEOVER IS COMPLETE. THIS MIGHT BE THE BAC 11 OR THE 7N7. AN MBB AND UK TEAM IS TO GO TO SEATTLE ON APRIL 4 FOR FURTHER TALKS ON POSSIBLE COOPERATION.

10. HAVING BEEN STUNG BY THE FRENCH MERCURE 200 GAMBIT, BOEING, ACCORDING TO SHOMERUS, WILL NOT INVITE THE FRENCH TO JOIN THE 7N7. HOWEVER, BOULLION SEEMED TO

INDICATE THAT IF THE FRENCH MADE THE FIRST MOVE HE
WOULD BE WILLING TO TALK TO THEM. THE FRENCH ARE
KEPT "BASICALLY INFORMED" OF THE CURRENT NEGOTIATIONS
BETWEEN MBB THROUGH MBB RELATIONS WITH SNIAS.

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11. AS HE HAS FREQUENTLY IN THE PAST, SHOMERUS
POINTED OUT THE NECESSITY OF MEANINGFUL COOPERATION
BETWEEN THE EUROPEAN AND US INDUSTRIES. HE CITED
THE FRENCH REACTION TO THE WESTERN AIRLINE'S NON-
PURCHASE OF THE AIRBUS AS AN EXAMPLE OF THE PROBLEMS
THAT LIE AHEAD IF US INDUSTRY IS NOT MORE WILLING TO
GIVE THE EUROPEAN INDUSTRY SOME BREATHING SPACE,
I.E., THERE WILL BE PRESSURE TO CLOSE THE EUROPEAN
MARKET TO AMERICAN PRODUCERS BY GOVERNMENT ACTION
OF SOME KIND. HE SAID THE FRG HAD TOLD THE FRENCH
THAT THEY SHOULD NOT REACT AS THEY HAD
(APPARENTLY ACCUSING WESTERN OF TURNING DOWN THE AIR-
BUS FOR SINISTER POLITICAL REASONS) BECAUSE THEY
WOULD JEOPARDIZE CHANCES FOR SALES TO OTHER AMERICAN
AIRLINES.

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Message Attributes

Automatic Decaptoning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
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To: STATE
Type: TE
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